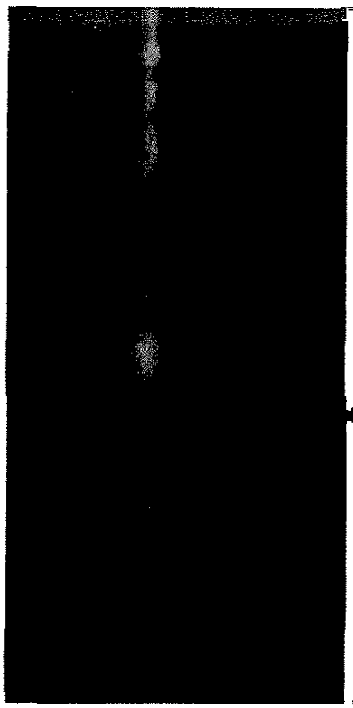
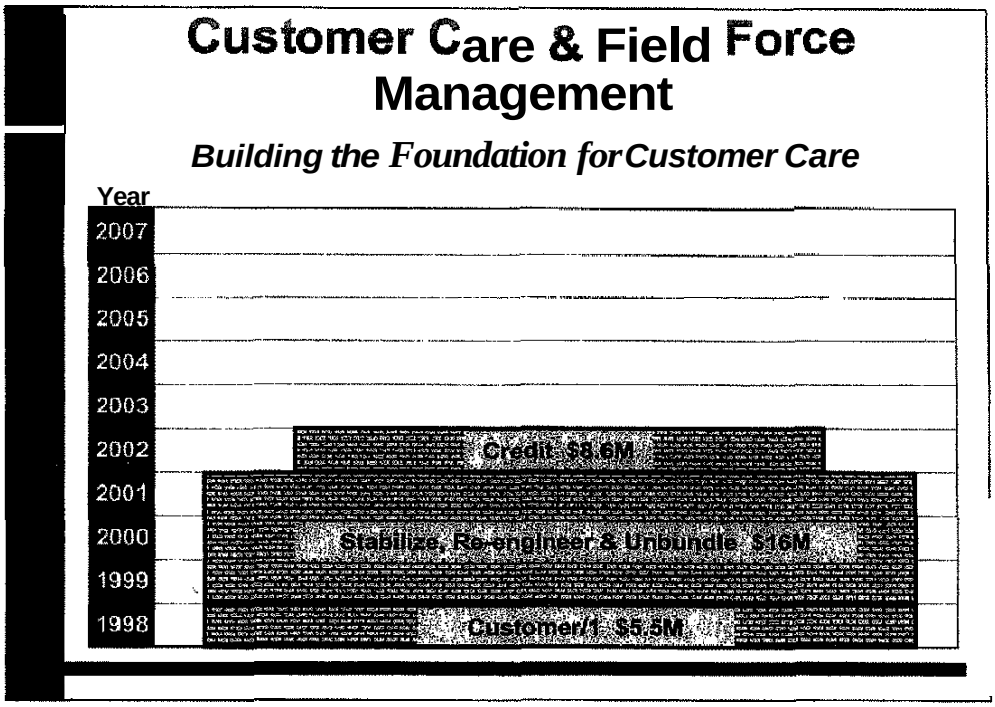


Customer Care & Field Force Management Project

November 14,2002

Today, I would like your approval for $15 million for funding the Customer Care Information System project for the year 2003. Currently, our total cost estimate is $70 million for both capital and operating expense for this 4 1/2 year project.



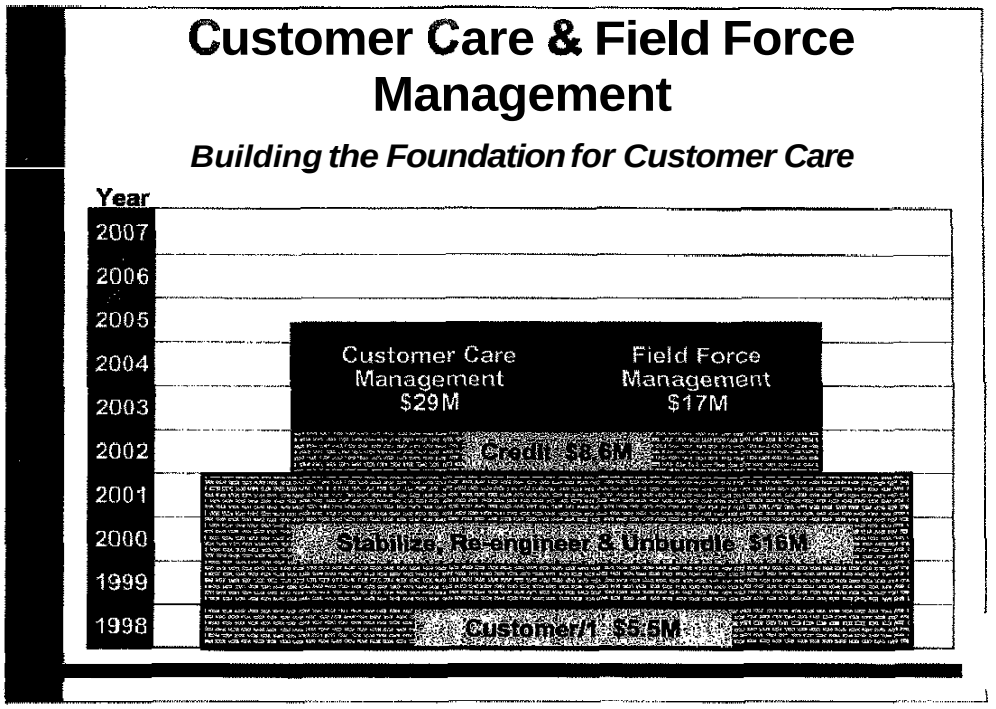
First I would like to review where we have been.

•We started looking in 1995 at various alternatives to replacing our systems. As some of you might recall, we were headed down the path of installing Anderson Consulting - Customer I software. We determined the cost was moving in excess of $120 million and the risk of a big bang implementation was to high **and** decided to stop the implementation and look for other alternatives.

•Leveraging off of the analysis completed with the Customer/1 project, a decision was made in 1999 to begin a process we called Functional Migration. Our first priority was to stabilize, re-engineer our system and prepare for unbundling.

•After evaluating many alternatives we decided to implement SPL World Group software. The credit and collections project was completed this year to provide annual savings of $2-3 million through a direct impact on bad debt.

• The SPL software package is utilized by utilities such as Philadelphia Gas Works, TXU, Pacific Gas & Electric, to name a few. (45 companies run SPL software).



I would now like to review the next steps of function **migration**

• In the 2002 **Chartwell** CIS Survey, 65% of large utility respondents indicate they currently are or have in the past **two** years upgraded their **CIS** system.

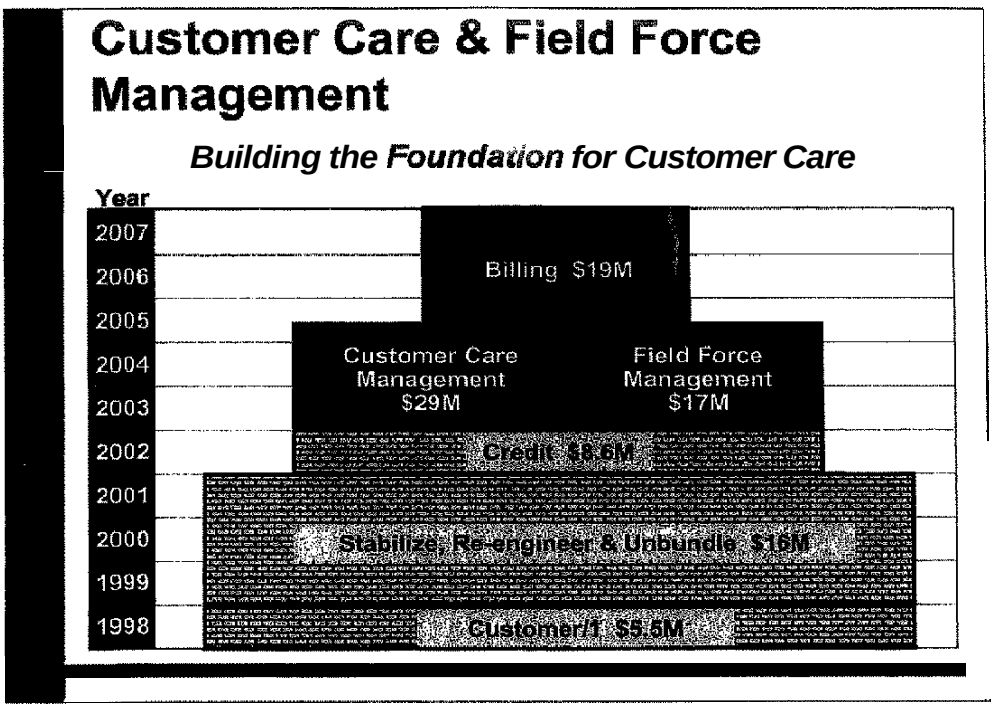
•**Also** of note, only 11% of the respondents indicated that their CIS system is over 20 years old - ours is over 30 years old. 1/3 of respondents indicated that outdated technology was also a key driver in **upgrading CIS** systems.

*Providing better customer **service** is the number one driver mentioned by 98% of respondents. This is followed closely by increasing **CSR efficiency** and reducing costs. These are exactly the same reasons at this time for **Nicor.**

• Customer Care Management - Will support the transformation of our **call** center to a modern, **standard** CIS platform.

•**Field** Force Management - will provide Standard, mobile terminals for **all** field personnel

-Extensive analysis and planning has begun. We would anticipate completing this release of the project over a 2 1/2 year timeframe.



• Completion of our Customer Care Management migration will involve the implementation of the SPL Billing module. This will take approximately two years beginning in 2005 and an additional $19 million.

Customer Care Project Spending
($ millions)

	Capital Dollars
Customer/1 Analysis	$5.5
Stabilize, Re-engineer, Unbundle	$16.0
Release 1 (Credit)	$8.6
Release 2	
Customer Care	$29.0
Field Force Management	$17.0
Release 3 (Billing)	$19.0
Total Spending	$95.1

Expected Benefits $5.5-$7 million per year

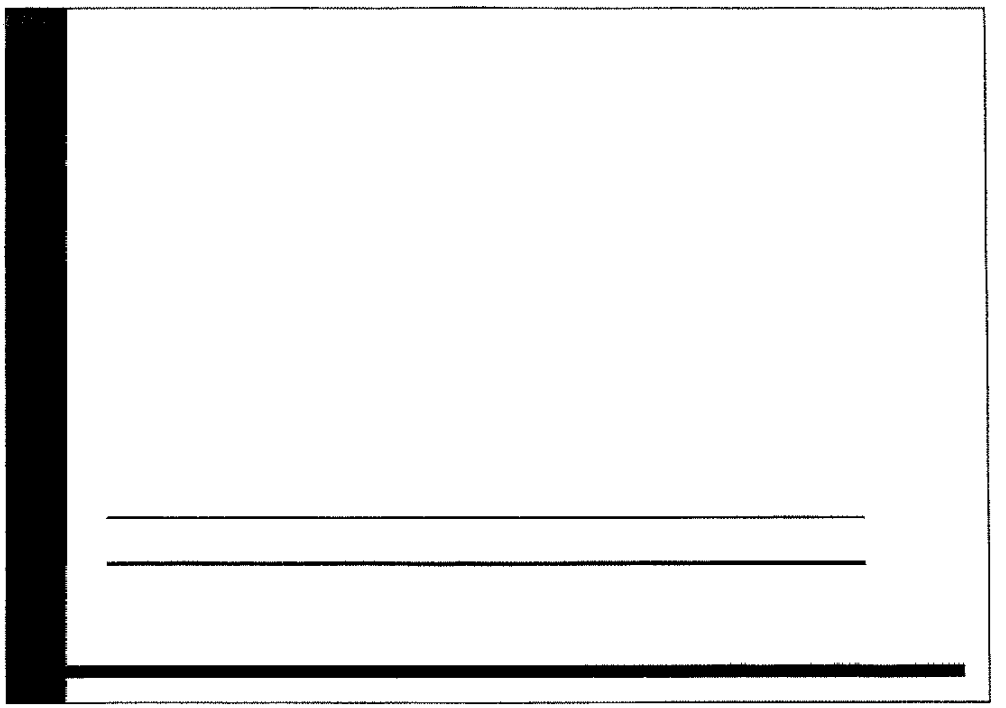
The total cost of our project is $95 million. The remaining releases will total $65 million over this 4-5 year period. An additional $5 million of Operating Expense will also be required.

- Expected Benefits for the investment of $95 million is $5.5 - $7 million per year. (Doesn't include S,R, & U)

  Data provided by Utilities International, Chartwell and Accenture; compares Nicor project cost to other companies

- Overall costs we are in middle of the group. This despite the extended duration and increased integration costs given a functional migration approach over 6 years vs. a big bang over two years. Overall costs range from XXXXX to XXXX

- Our approach provides:
  - Less implementation risk,
  - Has allowed us to stabilize our environment
  - Improve our project management capabilities
  - Control scope creep that caused us to stop C/1
  - Prepare the organization for significant change



The $15 million I have requested is for funding for the year 2003.

We have included another $1.5 million of operating expense in our year 2003 budget for this project.

We will keep you updated on our progress and return for approval later this year for funding for future years.

Any Questions??????

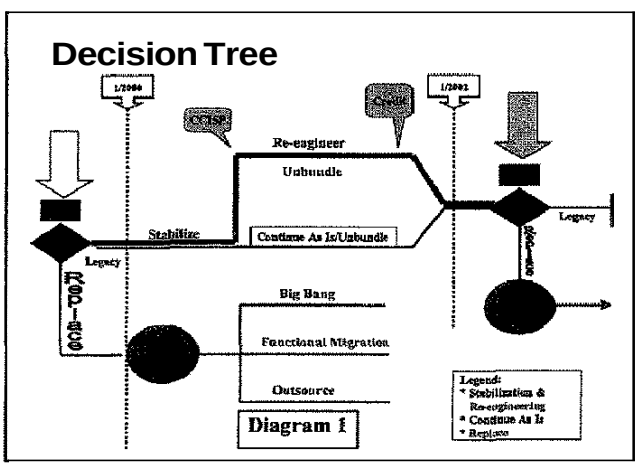
nicor

Nicor Gas Company
Customer Care Systems Executive Summary
November, 2002

I. Customer Care Information Systems Project (CCISP)

When deregulation was occurring in Illinois, Nicor was faced with making significant changes to its 30-year-old legacy CIS system In 1997, IS partnered with the Customer Care organization to sponsor a CIS replacement project. A feasibility study and a partial design were completed with the intention of implementing the Customer/1 application. However, due to increasing project costs, risks to the business inherent with a "big bang" approach, and an uncertain future for the chosen package moving forward, the project was terminated in August 1998.

After the Customer/1 project termination, a strategic review of Nicor's CIS approach was conducted. As a result of that strategy engagement, it was determined that a two-pronged approach to our CIS initiatives was needed. This alternative would position Nicor to meet unbundling requirements on the upcoming horizon, while improving the IT infrastructure and capabilities *(see diagram* I).



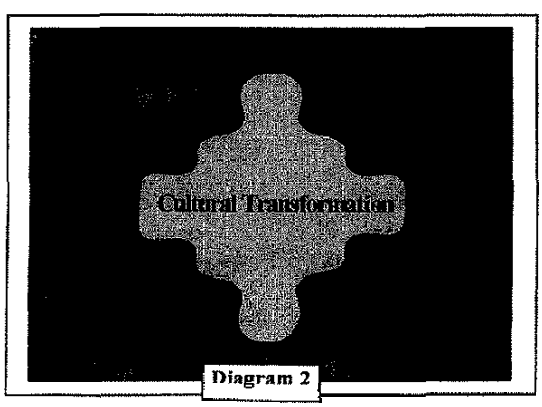
1) We had to work within the current legacy CIS system to provide functionality for the Customer Select program. This not only included adding "unbundling" capabilities, but also required performing some "stabilization" tasks to compensate for time that we had been focused on Customer/1 and not performing upgrades on our legacy applications. Further, it was determined to "reengineer" the legacy code while adding functionality. "Reengineering" primarily meant segregating the code to lay the foundation for functional migration. This became known as CCISP – Customer Care Information Systems Project.

2) A direction was established to "functionally migrate" the legacy CIS applications. Due to the high-risk situation with moving to a new platform and totally new system, it was decided to selectively replace CIS in pieces, depending on the business case. Credit and Collections would be first

The first year of the project focused on Stabilization. A number of quick hits were completed substantially reducing the number of returned gas bills, billing investigations and dial cards issued while increasing the number of estimated reads and off-cycle billing ability. Though these early successes added business value, the creation of the project infrastructure proved to be the most valuable accomplishment in the first year.

To support the quantity and quality of work that needed to be accomplished over the course of the next two years, Nicor needed to establish new Project Management disciplines. This effort resulted in the development of robust Project Management methodologies and tools, software development lifecycles, and quality assurance and testing processes.

Individually these components stand alone, but together they have become the basis for the IS cultural transformation that needed to take place in order for Nicor to be successful during CCISP and in the future. (See *diagram* 2).



In early 2001 our new project management practices were put to the test. Aggressive goals were set to implement all of the full unbundling requirements, complete the remaining stabilization and re-engineering tasks, and develop a new multi phase budget plan program all by the Spring of 2002. Many questioned if this workload was feasible; however, as it turned out much more was added to the project team's plate before summer of 2001 was over.

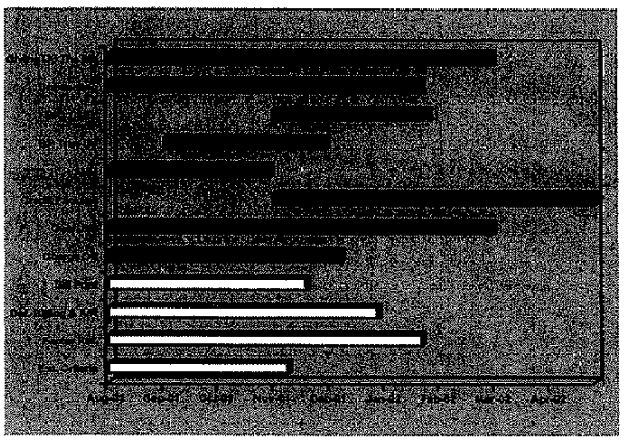


Diagram 3

In addition to the CCISP project workload, GSC expansion, Treasury equipment, AMR, Nicor Services Fixed Bill, and the Charge Off projects were initiated. These projects, along with a Budget Plan program that was much more costly and time consuming than originally forecasted, added approximately 40,000 hours into the overall Customer Care workplan (see *diagram* 3). Using our original budgeting formula, this added $3.8 million in projects that had to be staffed and completed in the same timeframe, utilizing the same resources as the core CCISP projects.

By March of 2002, nearly all of the CCISP project tasks were completed on schedule and on budget. This included approximately 10,000 project hours in preparation for full unbundling. In addition, several other Customer Care related initiatives (i.e. Fixed Bill, Treasury Equipment, AMR) were successfully implemented. The ability to successfully complete this large number of concurrent projects within Customer Care was a direct result of the newly pmject management environment. As stated in a Sponsor interview, "we have surpassed our quality and efficiency goals through stabilization. Specifically, the SDLC, system testing and quality assurance have been key drivers in this success."

The CCISP Initiative was a success on many fronts - it delivered needed functionality while developing a project based culture that has already been the catalyst for change within the IS organization and many other Nicor initiatives (i.e. BOFT). The following statements made by the Sponsor Team sums up the value that this project brought.

⇒ This project has succeeded in delivering needed functionality to the business. At the same time, it has been successful in allowing employees and the organization to develop new capabilities to support future IT projects and business changes.

⇒ The benefits of this cultural transformation have paid off. Nicor can now predict resources and results more accurately. Since these best practices have yielded results in CCIS, several other projects are adopting them for their projects.

⇒ The $20 million spent on CCISP (OE and capital), while a significant figure, is an investment in the future whiie meeting the demands of the present. It has achieved both objectives. Our people are better prepared to respond to business demands. And, we are well positioned for more strategic changes to replace the legacy applications.

II. Credit & Collections Project

Also in late 2000, the beginning of the current functional migration strategy was initiated with the evaluation of package solutions for Credit and Collections. This direction was chosen after determining that the customer centric view of the data, the foundation of the Credit Department's business requirements, was far too costly and risky to implement in the premise based legacy applications.

By spring of 2001, the Credit package evaluation was down to two vendors. Though the original requirements followed a "best of breed" approach focusing solely on Credit and Collections, by the time the decision was made the scope of the evaluation was increased to consider both the immediate credit needs as well as the broader CIS migration. With this new view of the criteria, SPL WorldGroup's CorDaptix product was chosen as the best solution for Credit and for replacing other CIS components in later phases of Functional Migration.

After making the decision to invest in CorDaptix, further legacy re-engineering tasks were scrutinized to determine if it was prudent to invest in legacy technology given the opportunities CorDaptix presented. This activity resulted in cancellation or indefinite delay of over 40,000 hours of the re-engineering projects acting under the premise that Nicor would pursue replacing the billing system by 2005.

In August of 2001, a fit assessment of CorDaptix was completed and a high-level implementation plan was created. With the business case supported by annual reduction of $2-3 million in bad debt, the Credit Project was then launched in late 2001 as a separate-initiative with an estimated implementation date in September of 2002 and a total cost of $10 million.

Nicor worked closely with our integration partners – Accenture and SPL. Nicor provided 50% of the overall resources for this project. We are pleased to report the successful implementation of the Credit project on Labor Day weekend – "on time and on budget". The Credit department is still in a transition state, but has already begun to identify and realize savings from the new environment.

Beyond CCISP – CIS Migration

As successful as CCISP was, it also heightened the awareness of the inadequacies and issues with the legacy CIS system. Though $20 millions dollars were spent modifying out legacy applications and developing an environment in support of this platform, the gap between needed business requirements and system functionality remained the same. In fact, with the added system complexities of Fixed Bill and Budget Plan the gap is widening once again (See *diagram* 4).

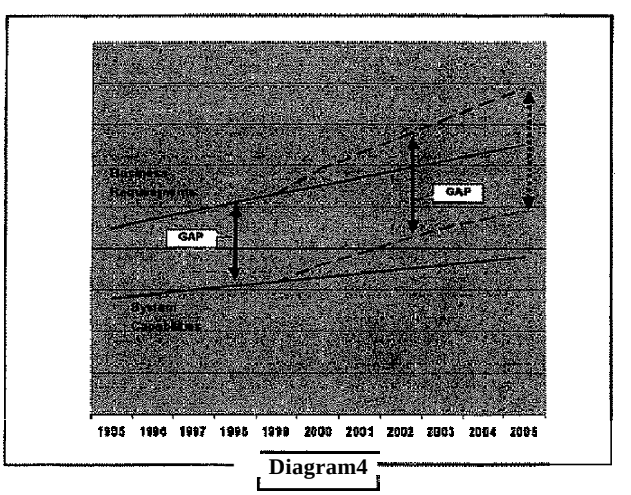


Diagram4

The Leadership Team recognized this gap and sanctioned a project team to pursue the strategy and business case for implementation of the remaining CorDaptix modules. As stated at the Nicor Gas Board of Directors meeting in 2001 – "our decision to approve this (CCIS) project was only justified based on the need to begin to functionally migrate off our 30+ year old system."

Several alternatives for proceeding were considered. Original plans called for three additional releases: I) Bill Ready (Bill Invoicing, AIR and Back Office); 2) Rate Ready (Bill Calc and Meter Reading) and 3) Field Orders (including Meter Management). Costs in the range of $55-60 million were projected for the full CIS implementation. It was estimated that 20% of the functionality was implemented with credit and that 45% would be implemented with Bill Ready.

nicor

In August 2002, Senior Management was interviewed to determine the most important business drivers for making a sequencing decision. The results were mixed with a focus on customer satisfaction, meeting external demands and fiscal management. A 3-4 year proposal was submitted to the CARE committee in September to proceed with Bill Ready as the next phase in our CIS migration (see *diagram 5*). The economics for such a proposal continue to be negative given the significant infrastructure investment (+$10 million) required for whichever module is implemented next. Continuing the migration strategy is still a priority.

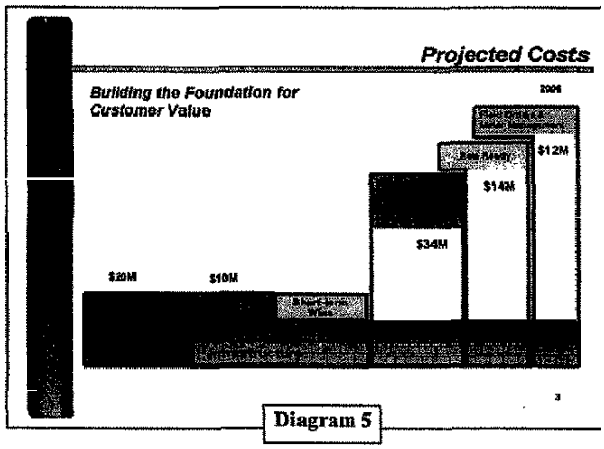


Diagram 5

As a result of the CARE process, several synergies were identified with the Field Force Automation project proposed by the Operations business units. The sequencing of the CIS field orders implementation simultaneous to the Computer Aided Dispatching (CAD) upgrade and Distribution department mobilization demonstrated many benefits, including cost avoidance of $5-6 million in integration costs. The project team was commissioned with validating these synergies and formulating several sequencing proposals.

In early October, two primary alternatives were compared and presented to management: Billing first and Field Orders first. (Note: The team recommended that the Bill Ready and Rate Ready phases be collapsed into one phase to reduce the significant risk of "pulling RA120 apart".) Two additional alternatives were documented as options to support significant financial constraints. These options were rejected due to the increased long-term costs, short-term change management impacts, and the delay in benefit realization.

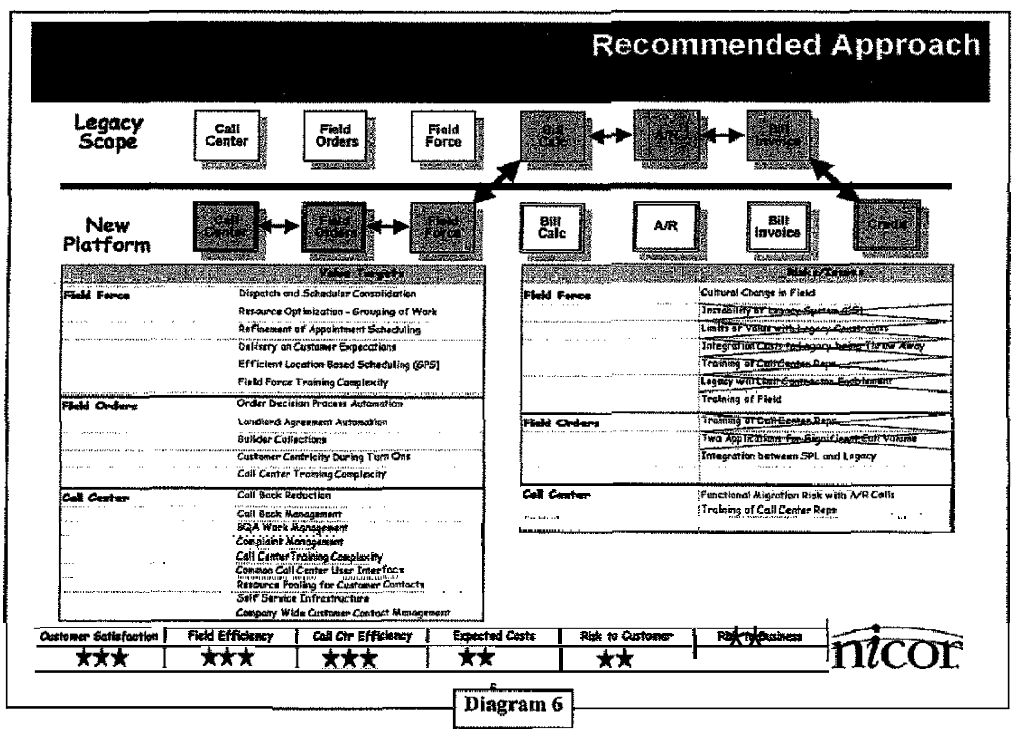


Diagram 6

Upon completion of the team's analysis, the Field Order first scenario was recommended. It provides the best value to support Customer Care and Employee Efficiency strategies. It also mitigates several risks inherent with a Billing first scenario. Overall costs are slightly higher and there is a delay in achieving cost reductions for the current mainframe environment. In the end, senior management supported the teams recommendation to combine the CIS Migration and the Field Force Automation projects into a combined program – Customer Care & Field Force Management.

nicor

Customer **C**are & **M**anagement **F**orce **F**ield

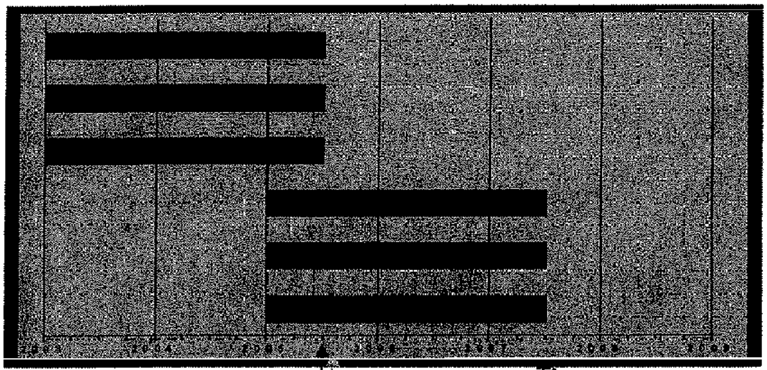
Customer Care & Field Force Management **Program**

The Customer Care and Field Force Management Program will bring many tangible and intangible benefits to the company. Implementation will last over a 4-5 year period, cost $70 million and will involve two releases: 1) Customer Care and Field Force Management; and 2) Billing. The overall scope includes:

- Replacement of our 1968 Billing system;
- Replacement of our 1970's CIS system;
- Replacement of 8+ year old mobile hardware;
- Upgrade of our CAD dispatching software;
- Mobilization of all field workers with a consistent mobile hardware platform;
- Visibility for the call center to ALL field activities;
- New time-based appointment scheduling capabilities for all field activities;
- Global workforce scheduling capability;
- Continued leverage of customer-centric foundation built with the credit project – specifically improved handling of builders and landlords;
- "Off the shelf' CIS and Dispatching packages;
- Minimal modifications to readily support future upgrades from the vendor;
- Reduction in required mainframe computing power with a future mainframe replacement.

Benefit **Identification** and **Realization:** Early identification of business value indicates additional direct departmental savings of $3.5-4 million per year will be achieved. In addition, many less direct benefits have been identified as well as intangible benefits. These benefit levels can be achieved in a 7-year period. Economies have been calculated over a 15-year period The sequencing of these values are shown in diagram 7.

Sequencing Options: Field Force Management First



Field Force. Field Orders and Call Center First

- :us o Customer Satisfaction a ıd Fiel Value i ı n t tep
- Aligns 3 of the 4 Change Mgmt Impa ts
- 80% of Call Center on Cordaptix ii 2005 - ritl Pc ıl ie v of ıli e A/R
- lay I mplen (ui til su ı timeframe – lower bills/risk
- Does not allow for Mainframe Downsizing ir 005

CALL CENTER Value
- Visibility into all of Field for Call Center
- Customer Appointment Improvements
- Intuitive User Interface for Call Center
- Landlord Agreements
- Connect Customer Centricity

FIELD Value
- Mobilization of all Field along with new devices
- Common Field Mgmt and Tools across Ops, Distribution and System Ops
- Global Workforce Utilization
- Real-time Crew Status
- Mobile Hardware Reliability

BILLING Value
- Unisys Downgrade
- Billing Flexibility Enhancements
- Payment Processing Improvements
- Improved Billing Quality Assurance

nicor

Diagram 7

We have also identified the appropriate metrics, which will drive realization of these benefits. A benefit realization plan will be completed which will establish baseline measurements and targets.

Intangible benefits have not been quantified. These include interdepartmental synergies and reduction in handoffs, which are expected to be achieved. We have already learned from Credit and Collections that there are many hidden benefits, which were unseen prior to implementation. We expect that to happen with release 2 as well.

One key intangible benefit, Customer Satisfaction, will certainly be improved. It is difficult at best to quantify its value in a regulated environment. Customers will have improved one-call resolution from the call center (access to more info), improved time-based scheduling to better meet customer needs, etc. Indirect impact in sales of new products and services and less scrutiny kom regulators could result as well.
Another key benefit not included in the economics relates to ongoing system maintenance. We believe that ongoing enhancements in the new platform could be 1/3 the cost of making such changes in legacy. As we have averaged nearly $3 million in enhancements annually, this could translate into a cost avoidance of $2 million per year. Additionally, the synergy of combining the Customer Care and the Field Force Management projects will avoid $5-6 million of integration costs. None of these items are included in the economics calculated for this program.

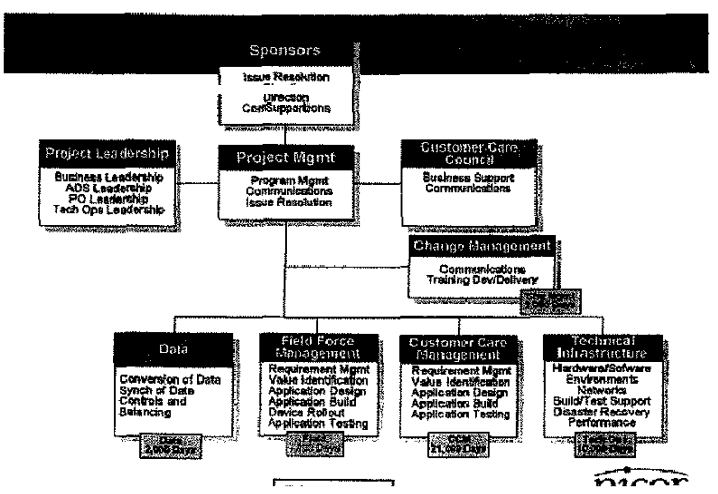
Overall economics on this program show a negative NPV of ($25million). Some additional items of note: This doesn't include intangibles or cost avoidance items mentioned above. It does include $6 million of mobile hardware that will need to be replaced regardless of software and process changes. The economics were calculated using a 15 year life – the system should last even longer. The economics on thii project continue to be negative regardless of which approach is taken. However, potential customer care, employee efficiency benefits, IT infrastructure stability issues must be considered in the decision-making process.

Change Management: From a change management perspective, the alignment of three key changes occurs together. 1) Customer Service Reps (CSR's) (and many others) impact due to a new CIS system and platform change; 2) Field personnel due to a change in Field Force hardware change; and 3) Impacts on Dispatch and Workload Admin (and many others) due to new scheduling software impacts. We will have a focused approach to change management and have already begun to prepare the organization for such changes through the Building Our Future Together (BOFT) initiative in the Distribution organization as well as the culture shift initiative within IT. Nearly 1,100 employees will he impacted through this program, with over 7,000 training days planned. We expect the cutover for both releases to occur at times that best fit the business cycles, thus mitigating risk. We will look to more modem approaches for the development and delivery of training, thus establishing a new model for the future. This could include web-based training, and others methods. Note: The cost of people to be in training is not included within the project costs. Training development and training delivery (ie. Trainers) is included.

Next Steps

The size of this project from a resource perspective is significant, averaging 50 FTE's, and peaking at near 80. Interim steps include contract negotiation; value finalization and commitment; business requirement validation; and resource planning. As can be seen from diagram 8, the workday efforts are significant and are organized around a team structure similar to the structure used for the credit project.

The project team is expected to be fully engaged beginning in January 2003. This release is expected to be in production in mid-2005. Planning for the third and



final release is expected to begin in early 2005 and be ready for production in mid 2007.

That sounds like a long way off. But given our functional migration approach, a three-phase approach seems to be the best at balancing financial impact while mitigating risks.

Critical Success Factors

The success of this program (on time/on budget) will be dependent on many factors.

1. Management of scope
2. Reliability of the purchased software
3. Technical Integration methods (e.g. EAI)
4. Visible Sponsorship
5. Business ownership and resource availability
6. Change management – breadth and support
7. Commitment to benefit realization
8. Focus on the customer
9. Consistent/uniform approach to all business units
10. Alignment from all business leaders
11. Ability to ramp-up/ramp-down as players change (inevitable over 5 years)
12. Connecting with ALL hidden business units/processes – back office especially

Conclusion

Funding for the following releases will be approved on an annual basis. (See Diagram 9). These numbers have not yet been leveled.

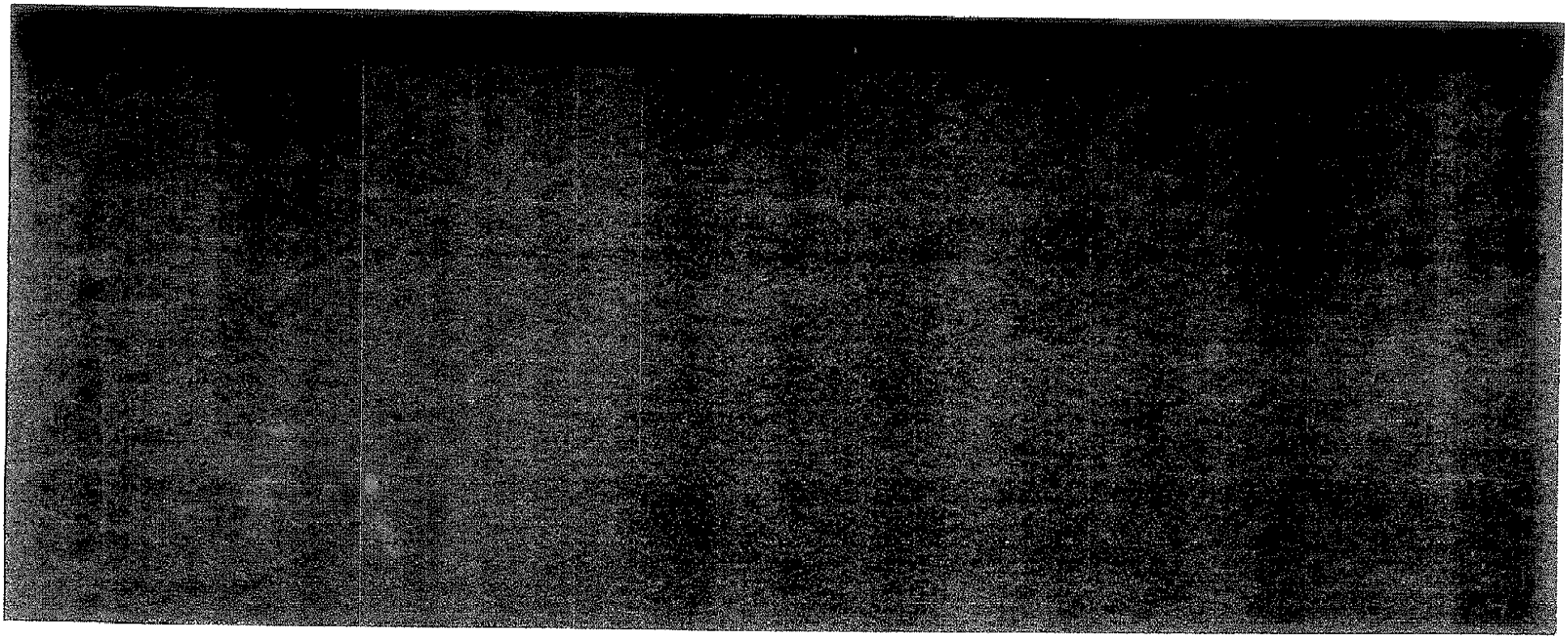
	2003	2004	2005	2006	2007	2008	2017	Total
Total Costs	$ 18,442	$ 18,814	$ 20,247	$ 7,150	$ 5,401	$ -	$ -	$ 70,054
Infrastructure	$ 8,041	$ 3,229	$ 4,845	$ 410	$ 747	$ -	$ -	$ 17,272
Application	$ 9,477	$ 14,785	$ 14,834	$ 2,480	$ 364	$ -	$ -	$ 41,940
Functional Migration	$ 924	$ 800	$ 568	$ 1,320	$ 1,320	$ -	$ -	$ 4,932
Duration	$ -	$ -	$ -	$ 2,970	$ 2,970	$ -	$ -	$ 5,940

Diagram 9

Milestones and accountability will be driven for each fiscal year. Funding for 2003 of $15 million capital has been approved by FPC and is pending approval from the Board. The project team wili now begin its development efforts.

C.A.R.E.
EXECUTIVE PRESENTATION
Nov. 11,2002

FPC
IT STEERING



Field Force Management and CIS Analysis

November 2002

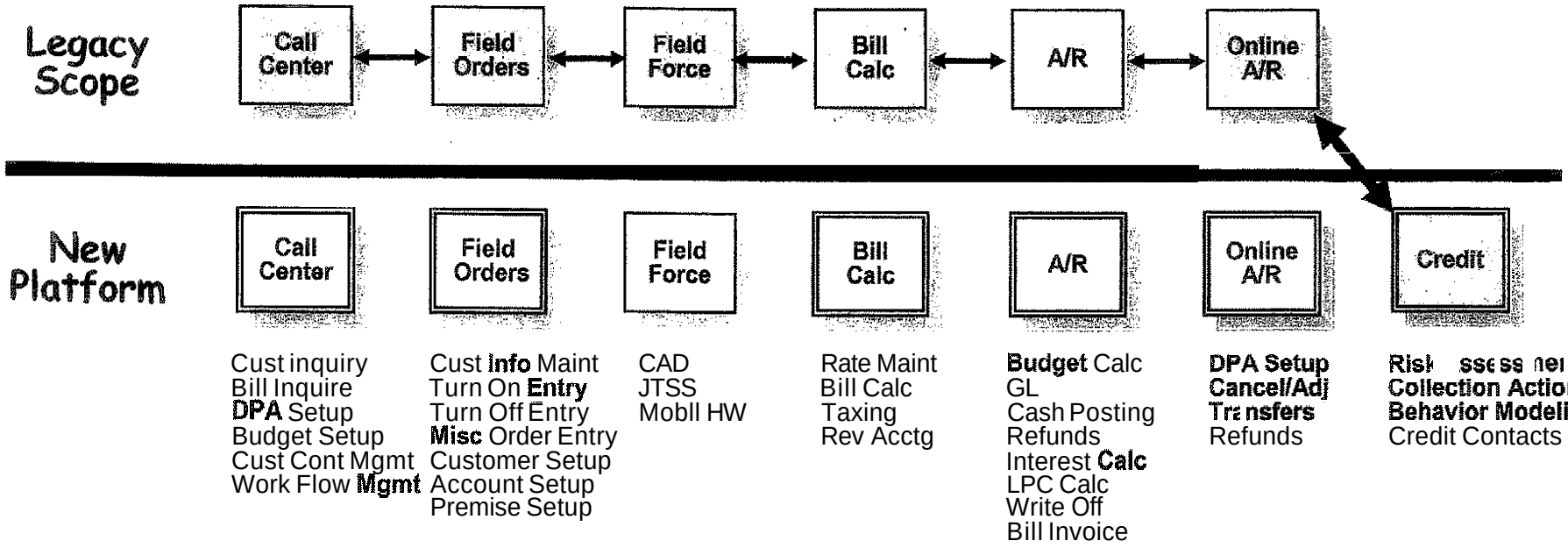
WP (F-4) 4 23/117

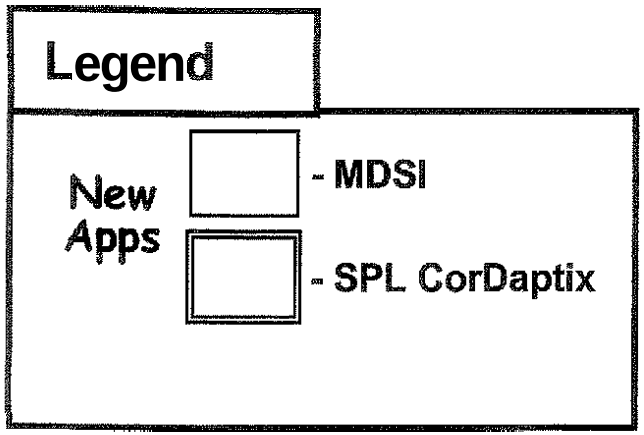
Agenda

- Objective of Meeting
- Review of Past Discussions
- Recommendation
- Next Steps

nicor

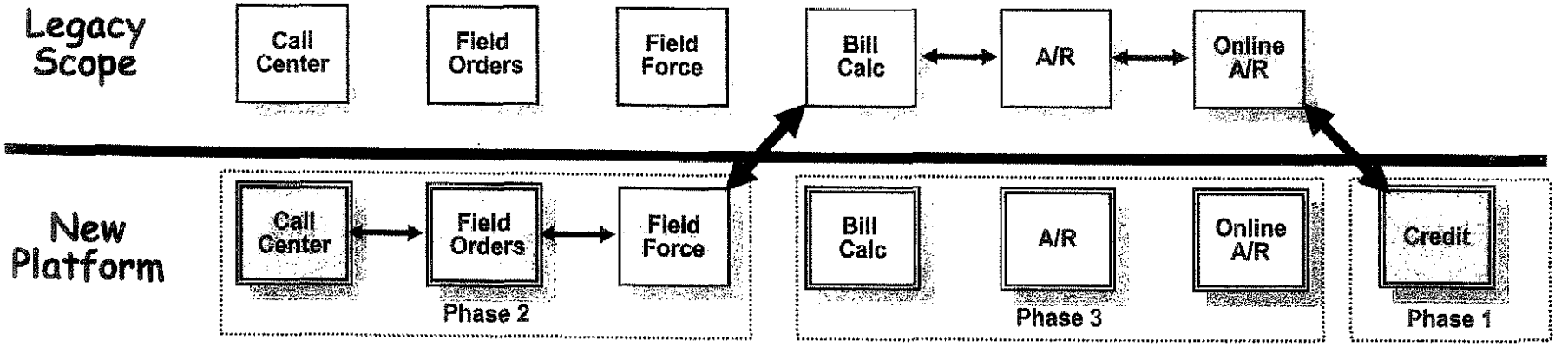
Existing Landscape





WP (F-4) 4 25/11

Recommended Approach



	Value Targets
Field Force	Dispatch and Scheduler Consolidation
	Resource Optimization - Grouping of Work
	Refinement of Appointment Scheduling
	Delivery on Customer Expecations
	Efficient Location Based Scheduling (GPS)
	Field Force Training Complexity
Field Orders	Order Decision Process Automation
	Landlord Agreement Automation
	Builder Collections
	Customer Centricity During Turn Ons
	Call Center Training Complexity
Call Center	Call Back Reduction
	Call Back Management
	BQA Work Management
	Complaint Management
	Call Center Training Complexity
	Common Call Center User Interface
	Resource Pooling for Customer Contacts
	Self Service Infrastructure
	Company Wide Customer Contact Management

	Risks/Issues
Field Force	Cultural Change in Field
	~~Instability of Legacy System (CS)~~
	~~Limits of Value with Legacy Constraints~~
	~~Integration Costs to Legacy being Throw Away~~
	~~Training of Call Center Reps~~
	~~Legacy will Limit Contractor Enablement~~
	Training of Field
Field Orders	~~Training of Call Center Reps~~
	~~Two Applications for Significant Call Volume~~
	Integration between SPL and Legacy
Call Center	Functional Migration Risk with A/R Calls
	Training of Call Center Reps

nicor

Cost and Value Proposition

Project Framework:

1. $75-77 million
2. 4 1/2 year implementation - 2 phases
3. Full CIS and Field Force Mgmt

Value Proposition:

1. $55-62 million Bottom-line Savings (15 years)
2. $3-5 million Employee Efficiency per year
3. Increased Customer Satisfaction generates add'l employee efficiencies

Field Force First

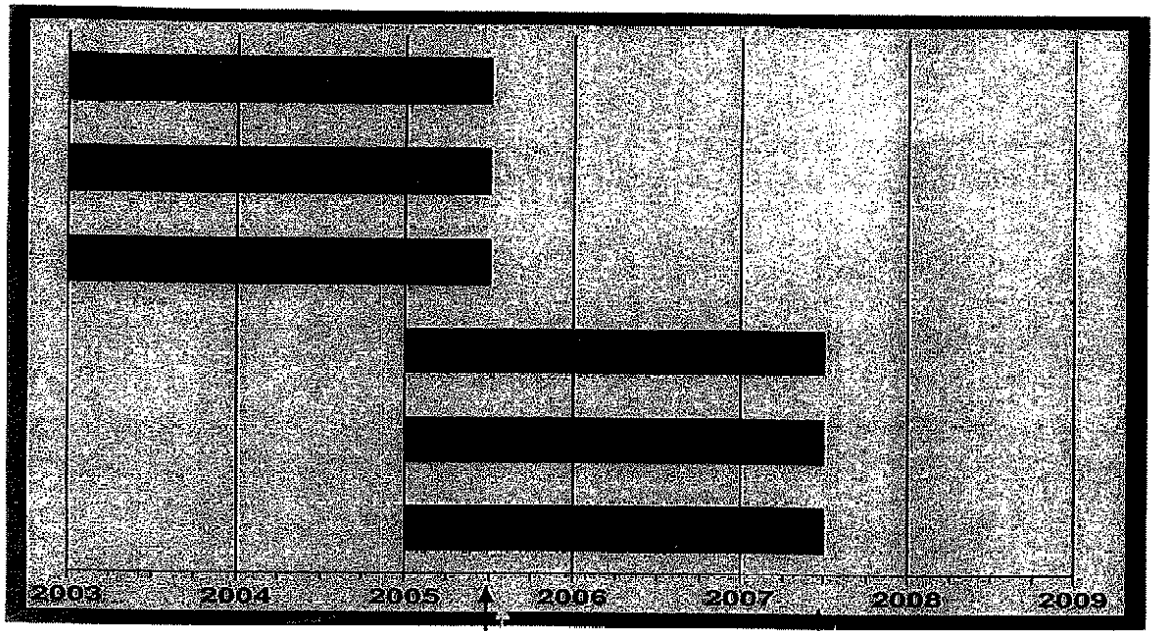
	2003	2004	2005	2006	2007	2008	2017	Total
Total Costs	$ 20,375	$ 20,702	$ 22,325	$ 7,904	$ 6,264	$ -	$ -	$ 77,570
Infrastructure	$ 8,934	$ 3,588	$ 5,383	$ 456	$ 830	$ -	$ -	$ 19,191
Application	$ 10,517	$ 16,514	$ 16,374	$ 3,158	$ -	$ -	$ -	$ 46,363
Functional Migration	$ 924	$ 800	$ 568	$ 1,320	$ 2,464	$ -	$ -	$ 6,076
Duration	$ -	$ -	$ -	$ 2,970	$ 2,970	$ -	$ -	$ 5,940
Value	$ -	$ -	$ 650	$ 2,445	$ 3,814	$ 3,819	$ 5,329	$ 55,164
Bottom Line	$ -	$ -	$ 650	$ 2,445	$ 3,814	$ 3,819	$ 5,329	$ 55,164
Employee Efficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Customer Satisfaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Billing First

	2003	2004	2005	2006	2007	2008	2017	Total
Total Costs	$ 17,912	$ 11,467	$ 19,852	$ 16,475	$ 9,572	$ -	$ -	$ 75,278
Infrastructure	$ 8,434	$ 2,858	$ 5,320	$ 1,186	$ 1,393	$ -	$ -	$ 19,191
Application	$ 9,478	$ 8,609	$ 14,532	$ 10,999	$ 2,745	$ -	$ -	$ 46,363
Functional Migration	$ -	$ -	$ -	$ 1,320	$ 2,464	$ -	$ -	$ 3,784
Duration	$ -	$ -	$ -	$ 2,970	$ 2,970	$ -	$ -	$ 5,940
Value	$ -	$ -	$ 650	$ 4,011	$ 4,235	$ 5,329	$ 5,329	$ 62,162
Bottom Line	$ -	$ -	$ 650	$ 4,011	$ 4,235	$ 5,329	$ 5,329	$ 62,162
Employee Efficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Customer Satisfaction	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

nicor

Sequencing Options: Field Force Management First



Field Force, Field Orders and Call Center First

1. **Focus on Customer Satisfaction and Field Value in next step**
2. **Aligns 3 of the 4 Change Mgmt Impacts**
3. **80% of Call Center on Cordaptix in 2005 - with Portal view of Online A/R**
4. **Delay billing implementation until summer timeframe – lower bills/risk**
5. **Does not allow for Mainframe Downsizing in 2005**

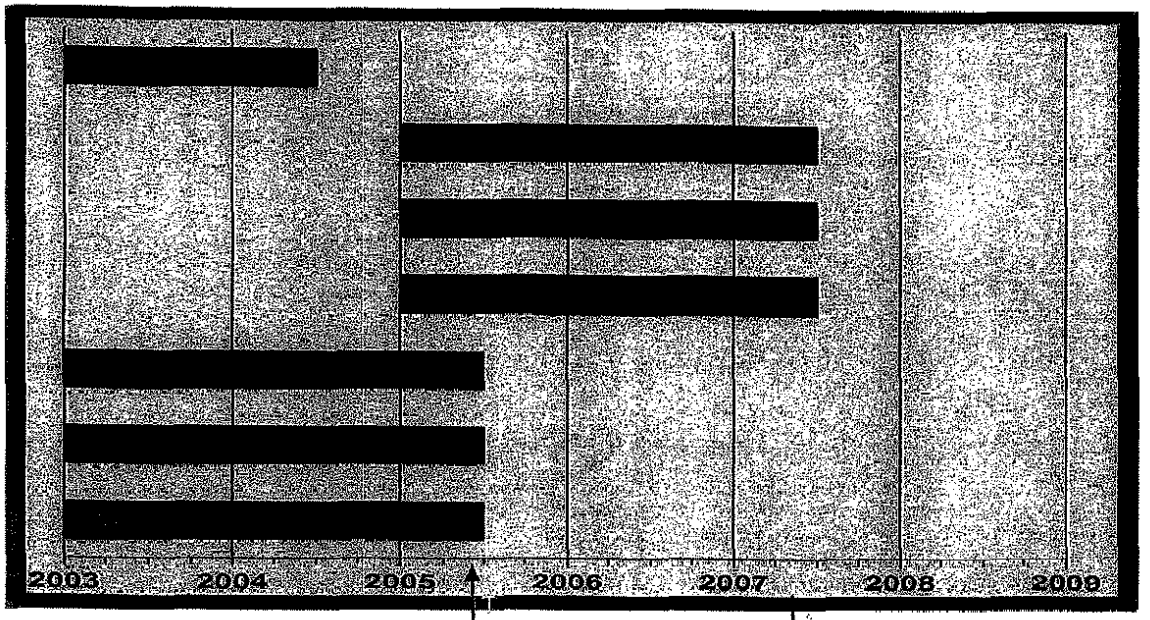
CALL CENTER Value
- **Visibility** into all of Field for Call Center
- *Customer Appointment improvements
- **Intuitive** User Interface for Call Center
- **Landlord** Agreements
- **Connect** Customer Centricity

FIELD Value
- *Mobilization of all Field along **with new** devices
- **Common** Field Mgmt and Tools across Ops, Distribution and System **Ops**
- *Global Workforce **Utilization**
- **Real-time** Crew Status
- **Mobile** Hardware **Reliability**

BILLING Value
- **Unisys Downgrade**
- **Billing Flexibility Enhancements**
- **Payment Processing Improvements**
- **Improved Billing Quality Assurance**

nicor

Sequencing Options: Billing First



Billing, A/R, and A/R Online Next Step

1. Least amount of 'functional migration' costs
2. Meets Mainframe downsizing window
3. Roll out of New Operations Mobile Devices with Legacy CAD
4. Full value of Customer Sat and Field Visibility delayed until 2007
5. Next risk/issue dealt with is RA system
6. 80% of Call Center Contacts on Legacy until 2007
7. New Work Codes would not be implemented until 2007

BILLING Value
- **Unisys Downgrade**
- **Billing Flexibility** Enhancements
- **Payment** Processing Improvements
- **Improved Billing** Quality Assurance
- **Mobile** Hardware **Reliability**

CALL CENTER Value
Visibility into **all** of Field for **Call** Center
*Customer Appointment improvements
- **Intuitive** User Interface for **Call** Center

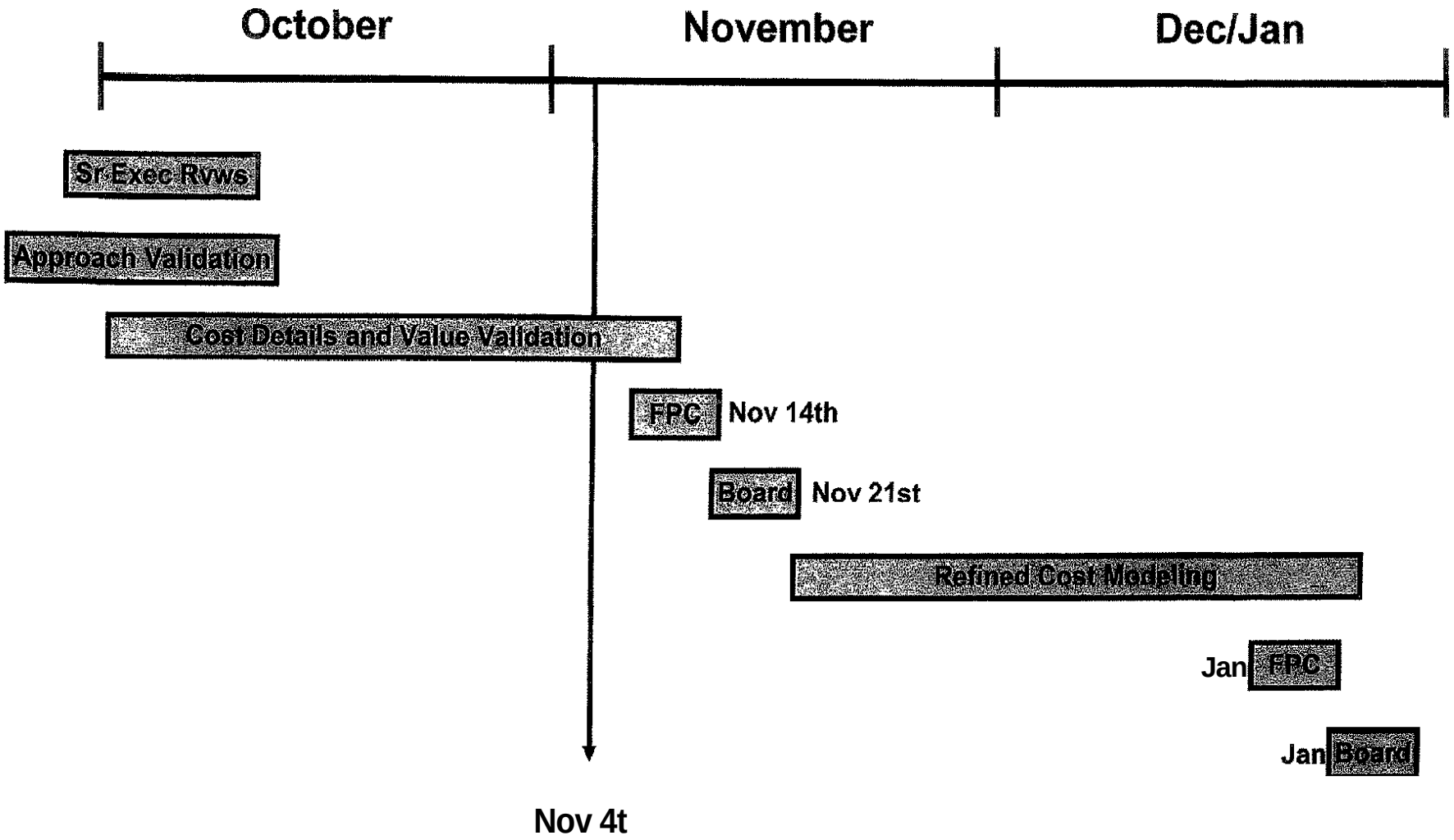
*Landlord Agreements
Connect Customer **Centricity**
FIELD Value
- **Mobilization** of all Field along with new devices

.Common Field Mgmt and **Tools** across **Ops**, Distribution and System **Ops**
Global Workforce Utilization
- **Real-time Crew Status**

nicor

WP (F-4) 4 29/117

Next Steps



nicor

WP (F-4) 4 30/117

Appendix: Definitions

nicor

Cost Categories

1 Total Costs – Costs for complete implementation, assuming:
- 10% contingency on Workdays
- Blended rate equal to Credit and Collections (50% Nicor Participation)
- 0% Contingency on Hardware and Software

2 Infrastructure Costs – All Hardware and Software needed to develop and implement applications (CorDaptix and MDSI) – these costs are independent of Phasing Approach – some of these costs are required in the 'do nothing' also (mobile replacements)

3 Application Costs – Labor needed to design, code, test, configure applications involved (including Legacy, CorDaptix, and MDSI)

4 Functional Migration Costs – Costs incurred from implementing a new CIS in Functional Phases (I.e. data synchronization, multiple test cycles)

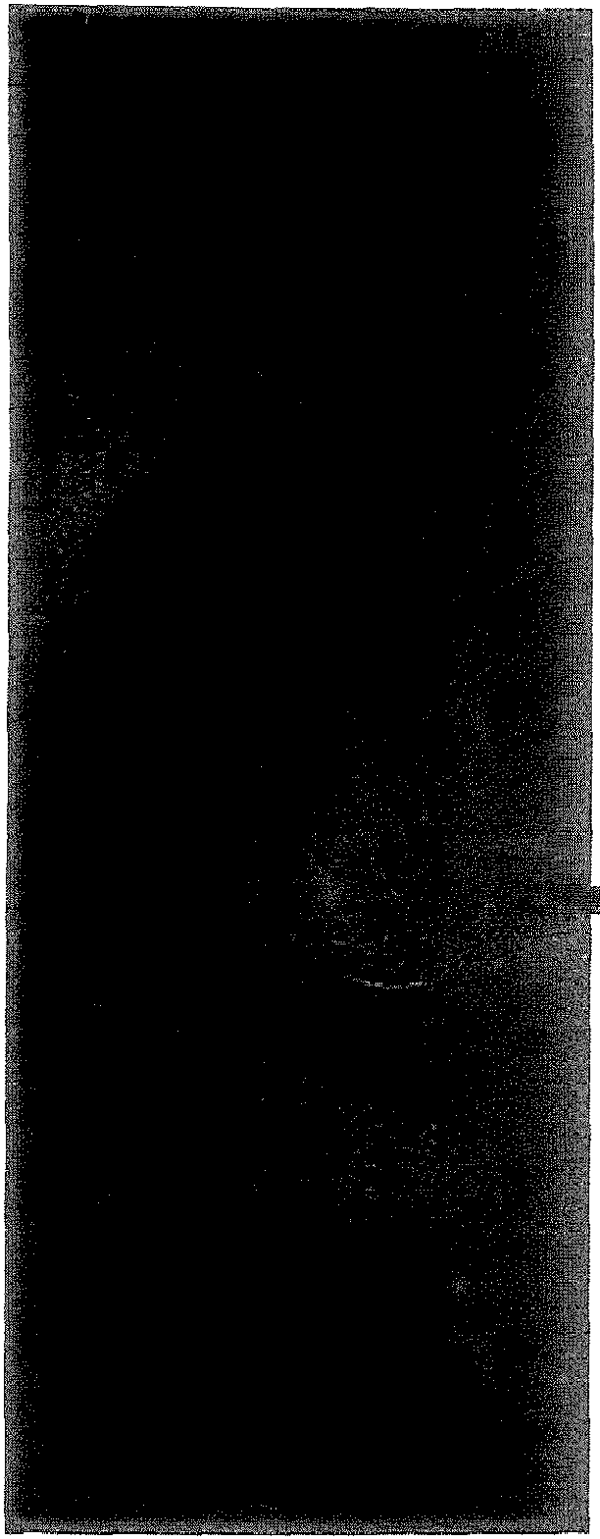
5 Duration Costs – Overhead costs incurred in the workplans from implementing in excess of 3 years.

nicor

Value Categories

1. Bottom Line – Created by interviewing the key business owners (Field, Call Center, Credit and Collections, BQA) – these are the reductions in Operating Expenses that can be achieved. (Validation continues.)
2. Employee Efficiencies – Yet to be quantified, but have been captured, this value category captures the ability for an employee to perform work quicker and more accurately.
3. Customer Satisfaction – This category will not be quantified, but will capture the benefits delivered to the Customer through more accurate, timely, and efficient customer service.

EXECUTIVE PRESENTATION
JUNE 24,2002



CIS Re-Engineering Business Case Approach

June 24, 2002

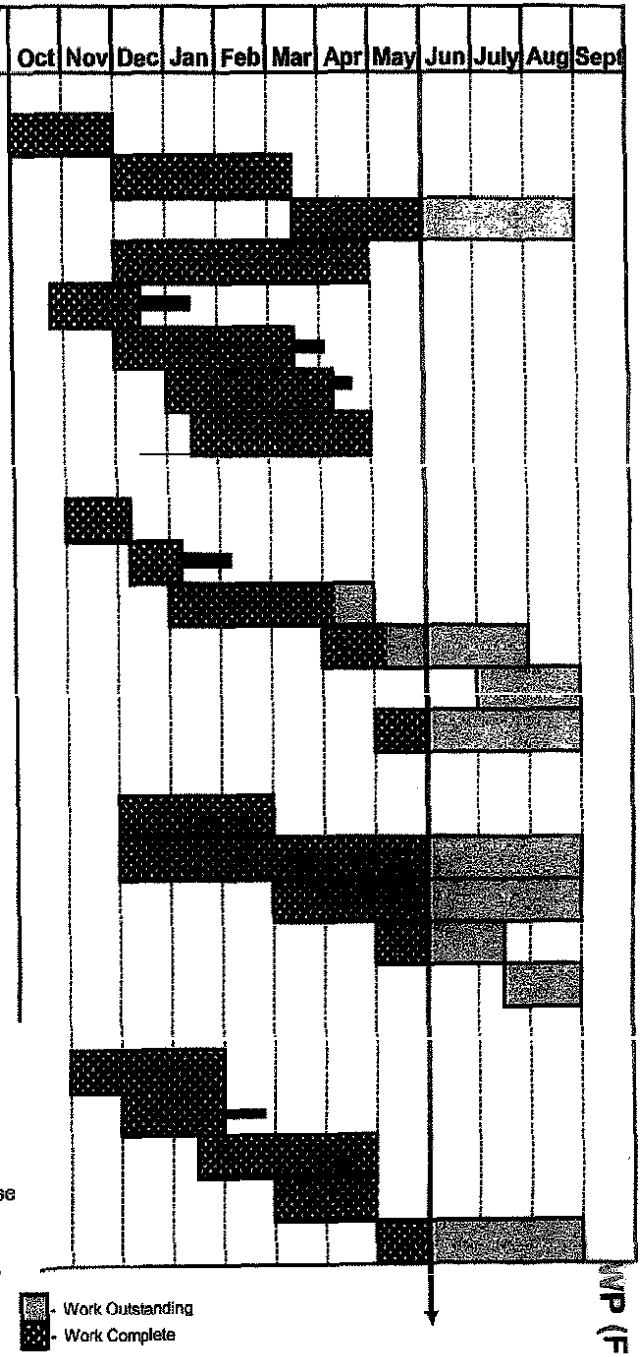
- Credit Update
- Where we have been
- Closing the Gap
- Timeline and Estimate Costs
- Why Now
- Next Steps

Credit Project Update

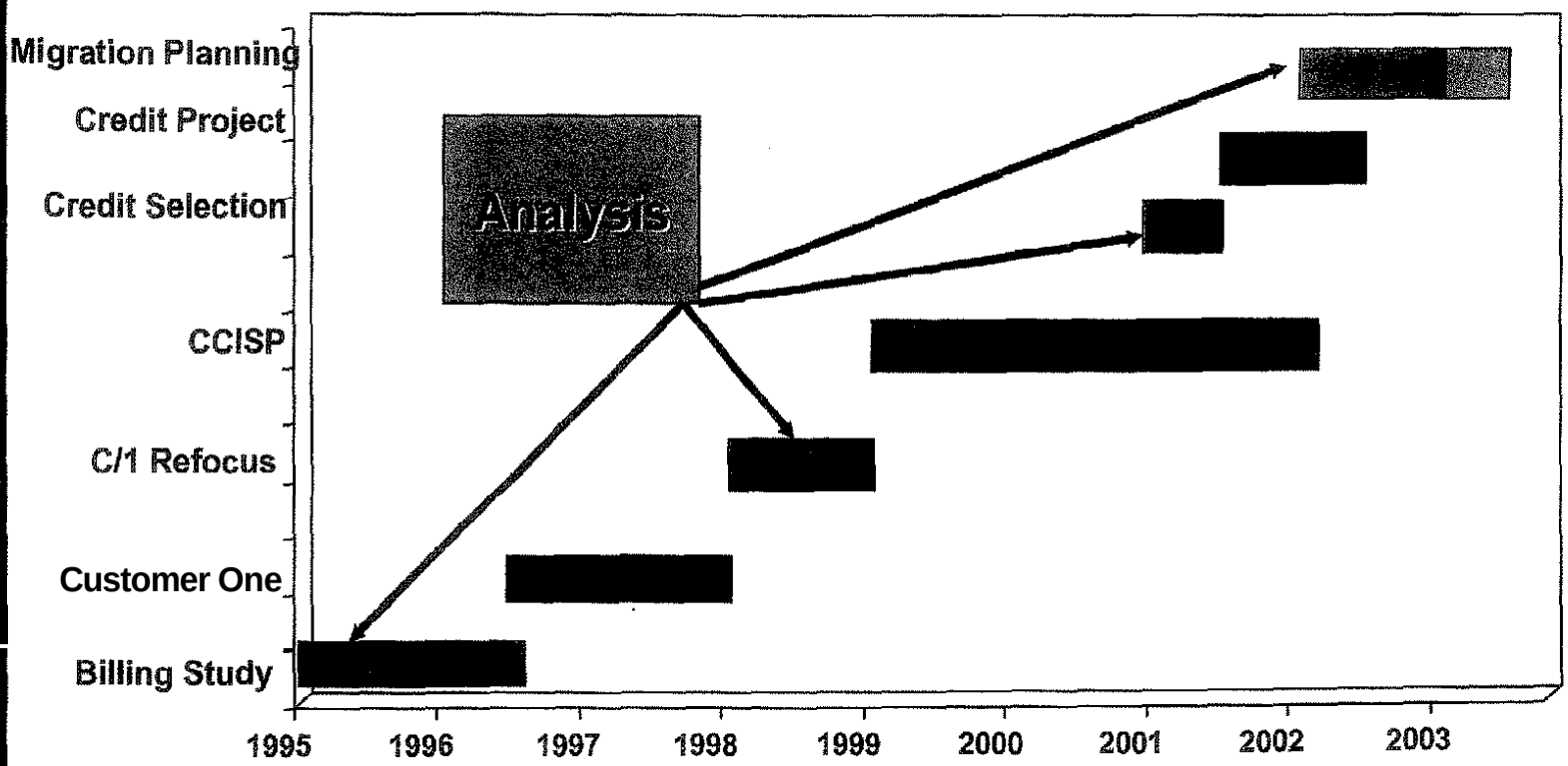
See executive dashboard handout

Credit and Collections Milestones

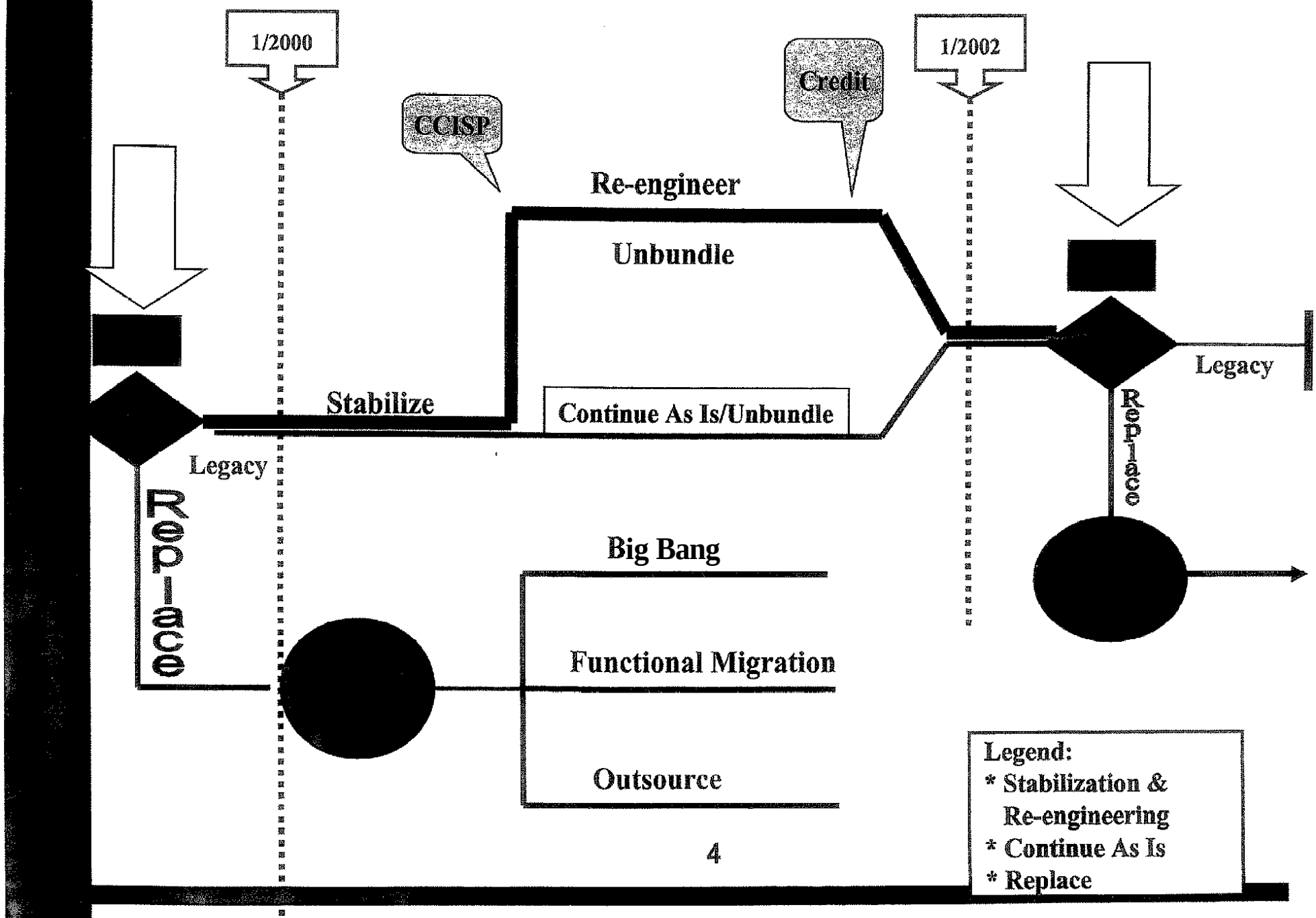
eam / Tasks		Start	End	Revised End	Status	Comments
onversion Team						
Data Mapping	●	10/1/2001	11/30/2001		Complete	Maps signed off - with follow ups
Conversion Build/Test	●	12/1/2001	3/15/2002		Complete	Conversion Toolkit fully executed - outstanding Financial Issue
Conversion Mocks/Fixit	○	3/15/2002	9/1/2002		Not Started	Three Full Volume **Conversions** Tested - **10% Target Times - Quality** Excellent
uild Team						
Conceptual Design	◉	10/24/2001	12/15/2001	1/15/2002	Complete	
Detailed Design	●	12/1/2001	311512002	3/29/2002	Complete	Total 32 - 32 Complete - 100%
Programming Specifications	●	1/1/2002	4/7/2002	4/22/2002	Complete	Total 158 - 158 Complete - **100%**
Programming/Unit Test	●	1/15/2002	5/1/2002		Complete	Total **238** - 238 Complete - **100%**
usiness/Test Team						
Configuration	●	11/1/2001	12/7/2001		Complete	Ongoing Maintenance through Testing is required
Product Acceptance Test	●	12/7/2001	1/7/2002	2/4/2002	Complete	**Multiple** product **releases causing some** delays
0 Integration Test Preparation	○	1/1/2002	5/1/2002	7/1/2002	In Progress	60% of Business Scenerios developed for Testing;
1 integration Test Execution	●	4/5/2002	8/1/2002		In Progress	**2 to** 3 Weeks **behind** schedule - 50% Tested
2 System Test - Legacy Do No Harm	◉	7/1/2002	8/1/2002		Not Started	Two System Tests Planned - beginning of June and August
3 Operational Readiness	○	6/1/2002	9/1/2002		In Progress	Full Volume Operations start week of June 10th
hange Management Team						
4 Business Process Design	●	12/1/2001	3/1/2002		Complete	Process Maps Signed off by Call Center and Collections
5 Communication	●	12/1/2001	9/1/2002		In Progress	
6 Organizational Impact Assessment	●	3/1/2002	9/1/2002		In Progress	Assessment Complete - **300+** End Users Identified
7 Training Development	◔	5/1/2002	7/15/2002		In Progress	Core Training material being developed
8 Training Delivery	○	7/15/2002	9/1/2002		Not Started	Credit Training Delivery has **significant** overlap with ongoing Call Center Training
ech Team						
9 HW/SW Acquisition	◉	11/1/2002	2/1/2002		Complete	
3 Build Environment Setup	◉	12/1/2002	2/1/2002	2/22/2002	Complete	
1 Build Support	●	1/15/2002	5/1/2002		Complete	
2 Test Environment Setup	○	3/1/2002	5/1/2002		In Progress	Continued product releases keep this task in progress - last release June 20th
3 Test Support	◉	5/1/2002	9/1/2002		In Progress	Operational Readiness Setup. System Response Time Tuning ongoing



Billing System Replacement - Where We Have Been?

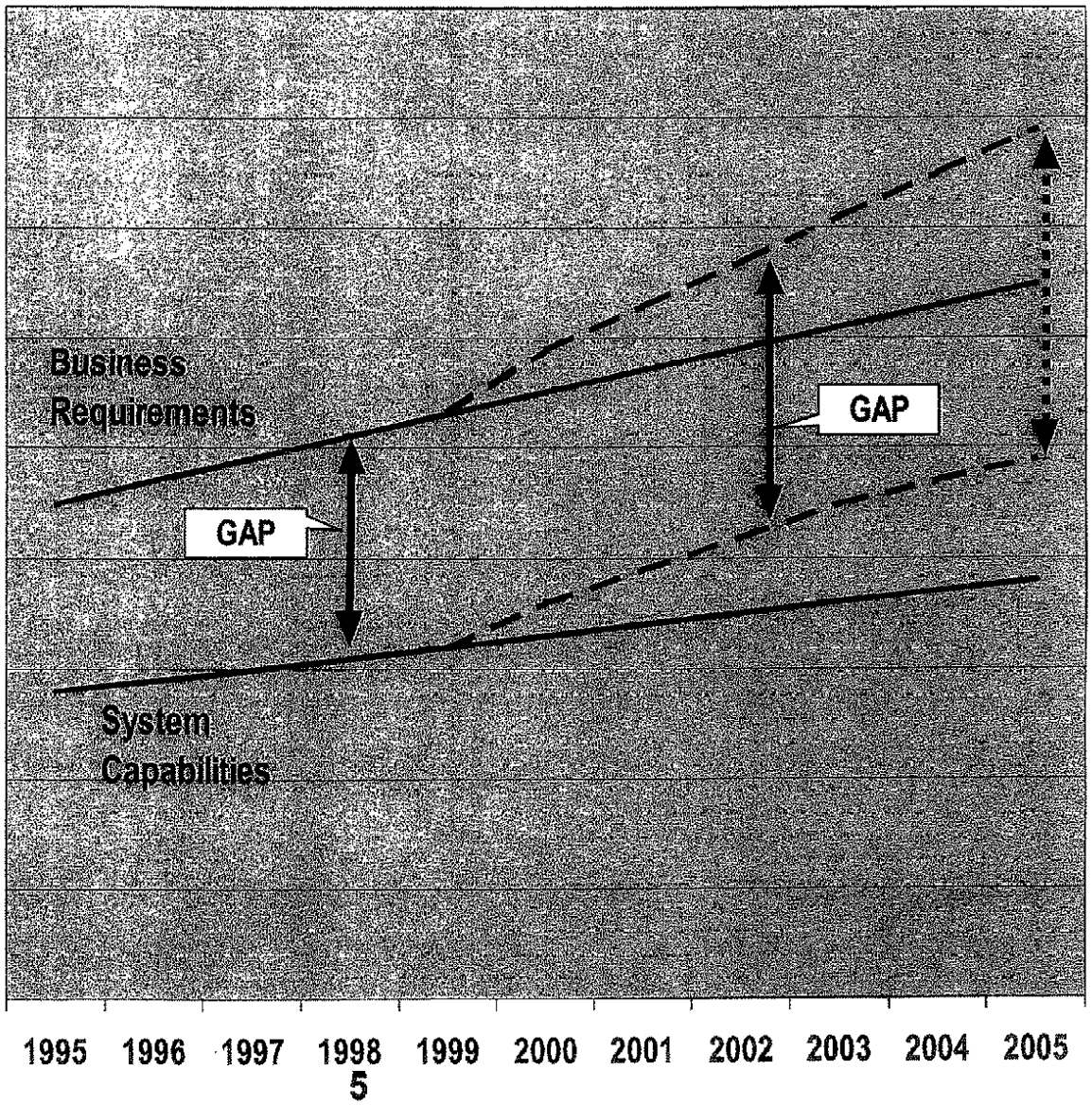


Decision Tree

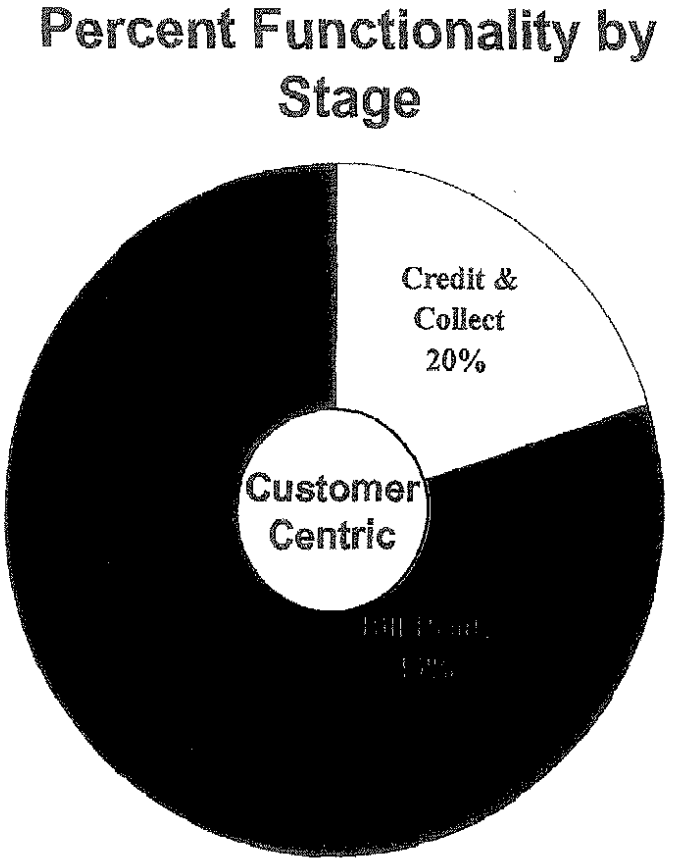


Requirements - Capability Gap

- The Pace of Change will continue to drive new business requirements
- **There are not any cost justifiable solutions for closing the gap without replacing mainframe components**
- Complexity of recent system implementations have caused the gap to begin to widen once again



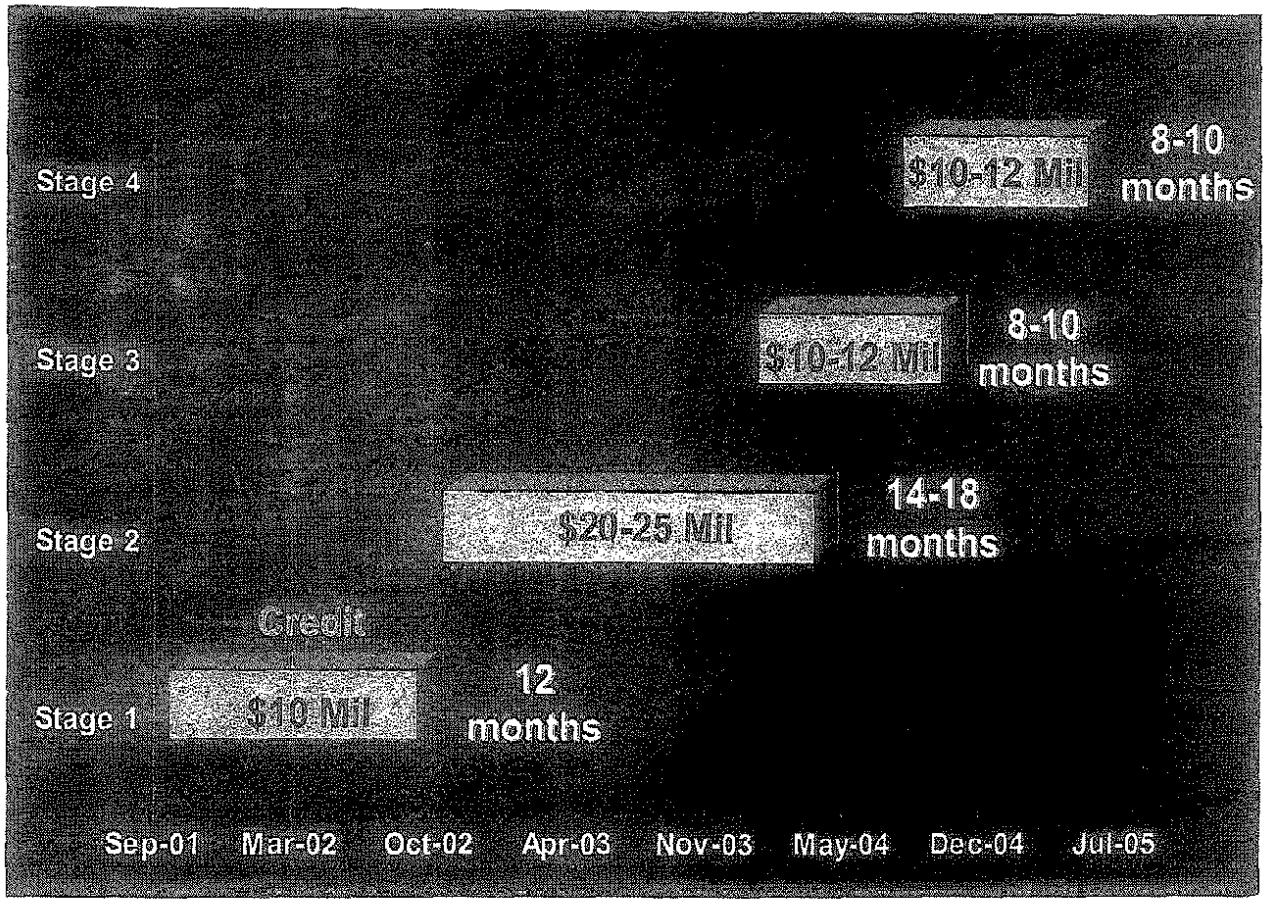
SPL - Where can we go from here?



1. Credit and Collections
2. Customer Information, Billing (Bill Ready), Direct Access, A/R
3. Billing (Rate Ready), Meter Reading
4. Meter Management, Field Orders

- ★ Non-CIS project timelines may impact sequencing decisions (i.e.. CAD replacement)
- ★ Low Hanging Fruit: E-Care, Complaint Mgmt, Great Plains

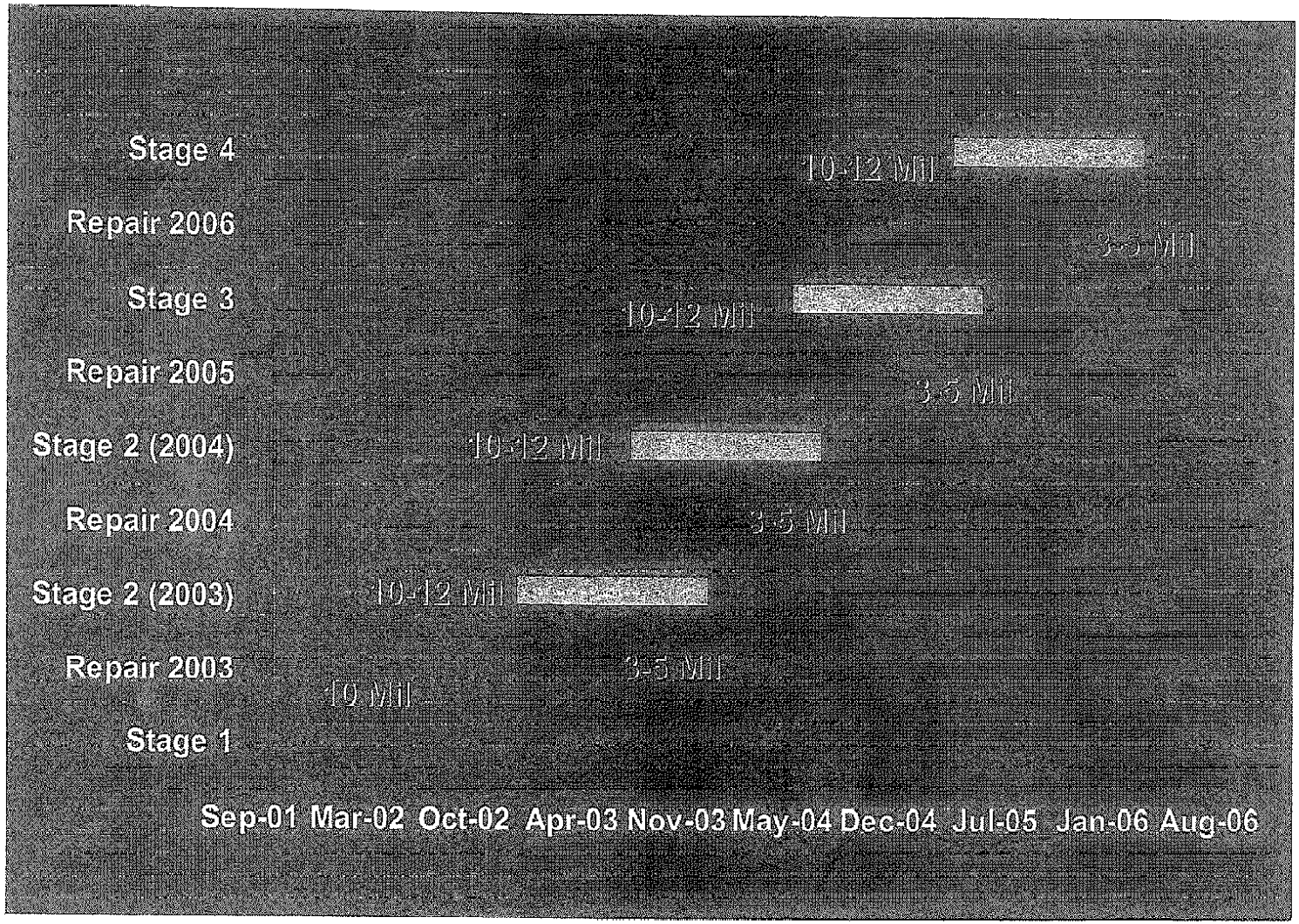
Implementation Timelines and Estimated Costs



Cost Components

- SPL/Oracle Licensing
- IT Infrastructure
- CorDaptix Development/Interface
- Legacy Development/Interface
- Conversion
- Training
- Business Support/Change Management
- Project Infrastructure
- Post Production/ Transition Costs

Incremental Costs of Replacement



Legacy SPL

Why Now?

2003-2006 Migration

Revenue

- Best support for new products and services and Call Center
  - Customer Centric
  - Technology
  - Flexibility
- Flexibility to meet unknown opportunities and demands in the early years of de-regulation
- Best position for cost recovery and response to potential rate case

Probability for Success

- Lower Project Risks - With the expected success of Credit we are in the best position ever
- Change Management Focus
- Personnel in place
  - Partners (SPL and Accenture)
  - Business and IT

Why Now?

2003-2006 Migration

Costs

- Best NPV - Lowest Lifecycle cost - Supports CARE
  - Benefits realized earlier
  - Full utilization of infrastructure investment
  - More timely/less costly implementation of CIS business initiatives
  - More timelylless costly compliance to mandated changes
- Minimize investment in legacy technology ($3-5 million per year)
- Best Additional Investment - $5 million incremental per year for new system
- Integrating non-CIS solutions (i.e. CAD replacement) will be less costly and less complex
- Contractual commitment for vendor software license costs
- Market Conditions Favorable
- Minimize ramp-up expense ($2-3 million)
  - Existing internal knowledge and skills
  - Integration partner resources

Next Steps

45 Day Plan

- Gain alignment with all Officers including Nicor Services
- Determine potential sequencing with other IT Projects
- Develop Economic Analysis Model
- Further refine Cost Model and Implementation Plan
- Publish Draft Business Case
- Incorporate into 2003-2005 Business Plans as appropriate